



General Assembly

Substitute Bill No. 361

February Session, 2010

* ____SB00361BA____031710____ *

**AN ACT CONCERNING IMPLEMENTATION OF THE S.A.F.E.
MORTGAGE LICENSING ACT.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (1) of subsection (b) of section 36a-486 of the
2 2010 supplement to the general statutes is repealed and the following
3 is substituted in lieu thereof (*Effective July 31, 2010*):

4 (b) (1) No person licensed as a mortgage lender, mortgage
5 correspondent lender or mortgage broker shall engage the services of a
6 mortgage loan originator unless such mortgage loan originator is
7 licensed under section 36a-489, as amended by this act. An individual,
8 unless specifically exempted under subdivision (2) of this subsection,
9 shall not engage in the business of a mortgage loan originator on
10 behalf of a licensee or a person exempt under section 36a-487, as
11 amended by this act, with respect to any dwelling, as defined in
12 Section 103 of the Consumer Credit Protection Act, 15 USC 1602,
13 located in this state without first obtaining and maintaining annually a
14 license as a mortgage loan originator under section 36a-489, as
15 amended by this act. Each licensed mortgage loan originator shall
16 register with and maintain a valid unique identifier issued by the
17 system. No individual may act as a mortgage loan originator for more
18 than one person at the same time. The license of a mortgage loan
19 originator is not effective during any period when such mortgage loan

20 originator is not sponsored by a licensed mortgage lender, mortgage
21 correspondent lender or mortgage broker, or by a person registered as
22 an exempt registrant under subsection (c) of section 36a-487, as
23 amended by this act, or during any period in which the license of the
24 mortgage lender, mortgage correspondent lender or mortgage broker
25 with whom such originator is associated has been suspended. Either
26 the mortgage loan originator or the [mortgage lender, mortgage
27 correspondent lender or mortgage broker] sponsor may file a
28 notification of the termination of sponsorship of a mortgage loan
29 originator with the system.

30 Sec. 2. Section 36a-487 of the 2010 supplement to the general statutes
31 is amended by adding subsection (c) as follows (*Effective July 31, 2010*):

32 (NEW) (c) Any person exempt from licensure under this section
33 may register on the system as an exempt registrant for purposes of
34 sponsoring a mortgage loan originator pursuant to subdivision (1) of
35 subsection (b) of section 36a-486, as amended by this act, and for
36 purposes of satisfying the mortgage loan originator bonding
37 requirements set forth in section 36a-492, as amended by this act. Such
38 registration shall not affect the exempt status of such person.

39 Sec. 3. Subsection (a) of section 36a-488 of the 2010 supplement to
40 the general statutes is repealed and the following is substituted in lieu
41 thereof (*Effective from passage*):

42 (a) (1) The commissioner shall not issue a mortgage lender license, a
43 mortgage correspondent lender license or a mortgage broker license to
44 any person unless such person meets the following tangible net worth
45 and experience requirements, as applicable: (A) The minimum tangible
46 net worth requirement for a mortgage lender shall be two hundred
47 fifty thousand dollars and the minimum tangible net worth
48 requirement for a mortgage correspondent lender and a mortgage
49 broker shall be (i) prior to March 2, 2009, twenty-five thousand dollars,
50 and (ii) on and after March 2, 2009, fifty thousand dollars, and (B) a
51 mortgage lender, mortgage correspondent lender or mortgage broker

52 shall have, at the main office for which the license is sought, a qualified
53 individual and, at each branch office, a branch manager who have
54 supervisory authority over the lending or brokerage activities who
55 have at least three years' experience in the mortgage business within
56 the five years immediately preceding the date of the application for the
57 license and who, effective April 1, 2010, have completed the
58 prelicensing education requirement described in section 36a-489a, as
59 amended by this act, and passed a written test that meets the test
60 requirement described in section 36a-489a, as amended by this act,
61 except that such qualified individual and branch manager shall pass
62 the state-specific component of such test on or before a date to be
63 determined by the commissioner. As used in this subdivision,
64 "experience in the mortgage business" means paid experience in the
65 origination, processing or underwriting of residential mortgage loans,
66 the marketing of such loans in the secondary market or in the
67 supervision of such activities, or any other relevant experience as
68 determined by the commissioner.

69 (2) Each licensee shall maintain the net worth required by this
70 subsection.

71 (3) Not later than April 1, 2010, each qualified individual and
72 branch manager shall have completed the prelicensing education
73 requirement described in section 36a-489a, as amended by this act, and
74 passed a written test that meets the test requirement described in
75 section 36a-489a, as amended by this act, except that (A) such qualified
76 individual and branch manager shall pass the state-specific component
77 of the test on or before a date to be determined by the commissioner,
78 and (B) a qualified individual or branch manager who was a qualified
79 individual or branch manager on July 9, 2009, and was a licensed
80 mortgage loan originator on July 9, 2009, shall have completed such
81 prelicensing education requirement and passed such written test not
82 later than October 31, 2010.

83 Sec. 4. Subsection (b) of section 36a-488 of the 2010 supplement to
84 the general statutes is repealed and the following is substituted in lieu

85 thereof (*Effective July 31, 2010*):

86 (b) The commissioner may issue a mortgage lender license, a
87 mortgage correspondent lender license, or a mortgage broker license.
88 Each mortgage lender licensee may also act as a mortgage
89 correspondent lender and a mortgage broker, and each mortgage
90 correspondent lender licensee may also act as a mortgage broker. On
91 and after July 1, 2008, an application for a license as a mortgage lender,
92 mortgage correspondent lender or mortgage broker office or renewal
93 of such license shall be filed, in a form prescribed by the commissioner,
94 with the system. Each such form shall contain content as set forth by
95 instruction or procedure of the commissioner and may be changed or
96 updated as necessary by the commissioner in order to carry out the
97 purpose of sections 36a-21, 36a-485 to 36a-498f, inclusive, 36a-534a and
98 36a-534b. The applicant shall, at a minimum, furnish to the system
99 information concerning the identity of the applicant, any control
100 person of the applicant, the qualified individual and any branch
101 manager, including personal history and experience in a form
102 prescribed by the system and information related to any
103 administrative, civil or criminal findings by any governmental
104 jurisdiction. The following supplementary information shall be filed
105 directly with the commissioner: (1) In the case of an initial application
106 for a license for the main office, (A) a financial statement as of a date
107 not more than twelve months prior to the filing of the application
108 which reflects tangible net worth, and if such financial statement is
109 unaudited, the proprietor, general partner, or duly authorized officer,
110 trustee or member shall swear to its accuracy under oath before a
111 notary public, ~~;~~ (2) and (B) a bond as required by section 36a-492, as
112 amended by this act; [(3)] (2) evidence that the qualified individual or
113 branch manager meets the experience required by subsection (a) of this
114 section; and [(4)] (3) such other information pertaining to the applicant,
115 the applicant's background, the background of its principals,
116 employees, and mortgage loan originators, and the applicant's
117 activities as the commissioner may require. For the purpose of this
118 subsection, evidence of experience of the qualified individual or

119 branch manager shall include: (A) A statement specifying the duties
120 and responsibilities of such person's employment, the term of
121 employment, including month and year, and the name, address and
122 telephone number of a supervisor, employer or, if self-employed, a
123 business reference; and (B) if required by the commissioner, copies of
124 W-2 forms, 1099 tax forms or, if self-employed, 1120 corporate tax
125 returns, signed letters from the employer on the employer's letterhead
126 verifying such person's duties and responsibilities and term of
127 employment including month and year, and if such person is unable to
128 provide such letters, other proof satisfactory to the commissioner that
129 such person meets the experience requirement. The commissioner may
130 conduct a criminal history records check of the applicant, any control
131 person of the applicant and the qualified individual or branch manager
132 with supervisory authority at the office for which the license is sought
133 and require the applicant to submit the fingerprints of such persons
134 and authorization of such persons for the system and the
135 commissioner to obtain an independent credit report from a consumer
136 reporting agency, as described in Section 603(p) of the Fair Credit
137 Reporting Act, 15 USC 1681a, as part of the application.

138 Sec. 5. Subsection (b) of section 36a-489 of the 2010 supplement to
139 the general statutes is repealed and the following is substituted in lieu
140 thereof (*Effective from passage*):

141 (b) (1) The commissioner shall not issue an initial license for a
142 mortgage loan originator unless the commissioner, at a minimum,
143 finds that the applicant has: (A) Never had a mortgage loan originator
144 license revoked in any governmental jurisdiction, except that a
145 subsequent formal vacating of such revocation shall not be deemed a
146 revocation; (B) notwithstanding the provisions of section 46a-80, not
147 been convicted of, or pled guilty or nolo contendere to, a felony in a
148 domestic, foreign or military court during the seven-year period
149 preceding the date of the application for licensing or at any time
150 preceding such date of application if such felony involved an act of
151 fraud, dishonesty, a breach of trust, or money laundering, provided

152 any pardon of a conviction shall not be a conviction for purposes of
153 this subdivision; (C) demonstrated financial responsibility, character
154 and general fitness so as to command the confidence of the community
155 and to warrant a determination that the mortgage loan originator will
156 operate honestly, fairly and efficiently within the purpose of sections
157 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and
158 36a-534b; (D) effective April 1, 2010, completed the prelicensing
159 education requirement described in section 36a-489a, as amended by
160 this act, and passed a written test that meets the test requirement
161 described in section 36a-489a, as amended by this act, except that the
162 applicant shall pass the state-specific component of the test by a date to
163 be determined by the commissioner; (E) effective July 31, 2010, met the
164 surety bond requirement under section 36a-492, as amended by this
165 act; and (F) not made a material misstatement in the application. If the
166 commissioner denies an application for a mortgage loan originator
167 license, the commissioner shall notify the applicant and may notify the
168 sponsor or any other person the commissioner deems appropriate of
169 the denial and the reasons for such denial.

170 (2) (A) The minimum standards for license renewal for a mortgage
171 loan originator shall include the following: (i) The mortgage loan
172 originator continues to meet the minimum standards for license
173 issuance under subdivision (1) of this subsection; (ii) the mortgage loan
174 originator has satisfied the annual continuing education requirements
175 described in subsection (c) of section 36a-489a, as amended by this act;
176 and (iii) the mortgage loan originator has paid all required fees for
177 renewal of the license.

178 (B) The license of a mortgage loan originator that fails to satisfy the
179 minimum standards for license renewal shall expire. The
180 commissioner may adopt procedures for the reinstatement of expired
181 licenses consistent with the standards established by the system.

182 (3) No later than April 1, 2010, each mortgage loan originator
183 licensee shall have completed the prelicensing education requirement
184 described in section 36a-489a, as amended by this act, and passed a

185 written test that meets the test requirement described in section 36a-
186 489a, as amended by this act, [provided] except that (A) the applicant
187 shall pass the state-specific component of the test by a date to be
188 determined by the commissioner, and (B) a mortgage loan originator
189 licensee who was licensed [as of the enactment of public act 09-209] on
190 July 9, 2009, shall have completed such prelicensing education
191 requirement and passed such written test not later than October 31,
192 2010.

193 Sec. 6. Subsection (e) of section 36a-489 of the 2010 supplement to
194 the general statutes is repealed and the following is substituted in lieu
195 thereof (*Effective from passage*):

196 (e) Notwithstanding the provisions of this section, the commissioner
197 may deem an application for a license as a mortgage lender, mortgage
198 correspondent lender, mortgage broker or mortgage loan originator
199 abandoned if the applicant fails to respond to any request for
200 information required under sections 36a-485 to [36a-498a] 36a-498f,
201 inclusive, 36a-534a and 36a-534b or the regulations adopted pursuant
202 to said sections. The commissioner shall notify the applicant, in
203 writing, on the system that if such information is not submitted within
204 sixty days the application shall be deemed abandoned. An application
205 filing fee paid prior to the date an application is deemed abandoned
206 pursuant to this subsection shall not be refunded. Abandonment of an
207 application pursuant to this subsection shall not preclude the applicant
208 from submitting a new application for a license under said sections
209 36a-485 to [36a-498a] 36a-498f, inclusive, 36a-534a and 36a-534b.

210 Sec. 7. Section 36a-492 of the 2010 supplement to the general statutes
211 is repealed and the following is substituted in lieu thereof (*Effective July*
212 *31, 2010*):

213 [(a) (1) No mortgage lender, mortgage correspondent lender or
214 mortgage broker license, and no renewal thereof, shall be granted
215 unless the applicant has filed a bond with the commissioner written by
216 a surety authorized to write such bonds in this state, in the sum of

217 forty thousand dollars, the form of which shall be approved by the
218 Attorney General. Effective July 31, 2010, the penal sum of the bond
219 shall be maintained in an amount that reflects the dollar amount of the
220 loans originated by the mortgage lender, mortgage correspondent
221 lender or mortgage broker, as determined by the commissioner.

222 (2) Effective July 31, 2010, each person licensed as a mortgage loan
223 originator shall be covered by a surety bond in accordance with this
224 section, provided such coverage shall be provided through the bond of
225 the mortgage lender, mortgage correspondent lender or mortgage
226 broker who sponsors such mortgage loan originator. The penal sum of
227 the bond shall be maintained in an amount that reflects the dollar
228 amount of loans originated by the mortgage loan originator, as
229 determined by the commissioner.]

230 (a) (1) Each licensed mortgage lender, mortgage correspondent
231 lender and mortgage broker shall file with the commissioner a single
232 surety bond written by a surety authorized to write such bonds in this
233 state in a penal sum determined in accordance with subsection (d) of
234 this section, provided the penal sum of the bond shall be not less than
235 fifty thousand dollars. The bond shall cover all mortgage loan
236 originators sponsored by such licensee.

237 (2) Each mortgage loan originator licensee shall be covered by a
238 surety bond with a penal sum in an amount that reflects the dollar
239 amount of loans originated by such mortgage loan originator in
240 accordance with this section, provided such coverage shall be
241 provided through the bond of the person who sponsors such mortgage
242 loan originator. In the case of a mortgage loan originator licensee
243 sponsored by an exempt registrant, the mortgage loan originator
244 licensee shall be covered by a single surety bond filed with the
245 commissioner by the exempt registrant. Such surety bond shall cover
246 all mortgage loan originators sponsored by such exempt registrant and
247 shall be written by a surety authorized to write such bonds in this state
248 in a sum determined in accordance with subsection (d) of this section,
249 provided the penal sum of the bond shall be not less than fifty

250 thousand dollars.

251 (3) The principal on a bond required by subsection (a) of this section
252 shall file a bond rider or endorsement to the surety bond on file with
253 the commissioner to reflect any changes necessary to maintain the
254 surety bond coverage required by this section.

255 (4) The commissioner may adopt regulations in accordance with
256 chapter 54 with respect to the requirements for such surety bonds.

257 (b) The bond required by subsection (a) of this section shall be (1) in
258 a form approved by the Attorney General, and (2) conditioned upon
259 [such] the mortgage lender, mortgage correspondent lender or
260 mortgage broker licensee and [, effective July 31, 2010,] any mortgage
261 loan originator [who is covered by the surety bond of a mortgage
262 lender, mortgage correspondent lender or mortgage broker,] licensee
263 sponsored by such mortgage lender, mortgage correspondent lender
264 or mortgage broker or, in the case of a mortgage loan originator
265 licensee sponsored by an exempt registrant, upon such mortgage loan
266 originator licensee faithfully performing any and all written
267 agreements or commitments with or for the benefit of borrowers and
268 prospective borrowers, truly and faithfully accounting for all funds
269 received from a borrower or prospective borrower by the licensee in
270 the licensee's capacity as a mortgage lender, mortgage correspondent
271 lender, [or a] mortgage broker or [, effective July 31, 2010, a] mortgage
272 loan originator, and conducting such mortgage business consistent
273 with the provisions of sections 36a-485 to 36a-498f, inclusive, as
274 amended by this act, 36a-534a and 36a-534b. Any borrower or
275 prospective borrower who may be damaged by failure to perform any
276 written agreements or commitments, or by the wrongful conversion of
277 funds paid by a borrower or prospective borrower to a licensee, may
278 proceed on such bond against the principal or surety thereon, or both,
279 to recover damages. Commencing August 1, 2009, any borrower or
280 prospective borrower who may be damaged by a mortgage lender,
281 mortgage correspondent lender, mortgage broker or mortgage loan
282 originator licensee's failure to satisfy a judgment against the licensee

283 arising from the making or brokering of a nonprime home loan, as
284 defined in section 36a-760, as amended by this act, may proceed on
285 such bond against the principal or surety thereon, or both, to recover
286 the amount of the judgment. The commissioner may proceed on such
287 bond against the principal or surety thereon, or both, to collect any
288 civil penalty imposed upon [the] a licensee pursuant to subsection (a)
289 of section 36a-50 and any unpaid costs of examination of [the] a
290 licensee as determined pursuant to section 36a-65. The proceeds of the
291 bond, even if commingled with other assets of the [licensee] principal,
292 shall be deemed by operation of law to be held in trust for the benefit
293 of such claimants against the [licensee] principal in the event of
294 bankruptcy of the [licensee] principal and shall be immune from
295 attachment by creditors and judgment creditors. The bond shall run
296 concurrently with the period of the license [granted to the applicant,]
297 for the main office and the aggregate liability under the bond shall not
298 exceed the penal sum of the bond. The [licensee] principal shall notify
299 the commissioner of the commencement of an action on the [licensee's]
300 bond. When an action is commenced on a [licensee's] principal's bond,
301 the commissioner may require the filing of a new bond and
302 immediately on recovery on any action on the bond, the [licensee]
303 principal shall file a new bond.

304 (c) The surety company shall have the right to cancel the bond at
305 any time by a written notice to the [licensee] principal stating the date
306 cancellation shall take effect. Such notice shall be sent by certified mail
307 to the [licensee] principal at least thirty days prior to the date of
308 cancellation. A surety bond shall not be cancelled unless the surety
309 company notifies the commissioner in writing not less than thirty days
310 prior to the effective date of cancellation. After receipt of such
311 notification from the surety company, the commissioner shall give
312 written notice to the [licensee] principal of the date such bond
313 cancellation shall take effect and, in the case where the principal is an
314 exempt registrant, such notice shall be deemed notice to each mortgage
315 loan originator licensee sponsored by such principal for the purposes
316 of subsection (c) of section 4-182. The commissioner shall automatically

317 suspend the [license] licenses of a mortgage lender, mortgage
318 correspondent lender or mortgage broker on such date, and, in the case
319 of a cancellation of an exempt registrant's bond, shall automatically
320 suspend the licenses of the mortgage loan originators sponsored by
321 such exempt registrant, unless prior to the date that the bond
322 cancellation shall take effect, (1) the [licensee prior to such date]
323 principal submits a letter of reinstatement of the bond from the surety
324 company or a new bond, [or] (2) the mortgage lender, mortgage
325 correspondent lender or mortgage broker licensee has ceased business
326 and has surrendered [the license] all licenses in accordance with
327 subsection (a) of section 36a-490, or (3) in the case of a mortgage loan
328 originator licensee sponsored by an exempt registrant, the sponsorship
329 has been terminated. After a mortgage lender, mortgage
330 correspondent lender, mortgage broker or mortgage loan originator
331 license has been automatically suspended pursuant to this section, the
332 commissioner shall give [the] such licensee notice of the automatic
333 suspension, pending proceedings for revocation or refusal to renew
334 pursuant to section 36a-494 and an opportunity for a hearing on such
335 action in accordance with section 36a-51 and require [the] such licensee
336 to take or refrain from taking such action as in the opinion of the
337 commissioner will effectuate the purposes of this section. The
338 commissioner may provide information to an exempt registrant
339 concerning actions taken by the commissioner pursuant to this
340 subsection against any mortgage loan originator licensee that was
341 sponsored and bonded by such exempt registrant.

342 (d) The penal sum of the bond required by subsection (a) of this
343 section shall be determined as follows:

344 (1) (A) If the aggregate dollar amount of the residential mortgage
345 loans originated by all mortgage loan originator licensees in the
346 preceding calendar year is less than thirty million dollars, the penal
347 sum of the bond shall be fifty thousand dollars. (B) If the aggregate
348 dollar amount of the residential mortgage loans originated by all
349 mortgage loan originator licensees in the preceding calendar year is

350 thirty million dollars or more but less than fifty million dollars, the
351 penal sum of the bond shall be one hundred thousand dollars. (C) If
352 the aggregate dollar amount of the residential mortgage loans
353 originated by all mortgage loan originator licensees in the preceding
354 calendar year is fifty million dollars or more, the penal sum of the
355 bond shall be one hundred fifty thousand dollars.

356 (2) For purposes of this subsection, the aggregate dollar amount of
357 residential mortgage loans originated by all mortgage loan originator
358 licensees in the preceding calendar year shall be such amount as is
359 reflected in reports filed on the system and in accordance with
360 subdivision (1) of this subsection. If such reports are not available on
361 the system, the licensee and exempt registrant shall submit to the
362 commissioner, at the time the bond is filed, such financial information
363 in such form as the commissioner deems necessary to verify the
364 aggregate dollar amount; and

365 (3) The commissioner may require a change in the penal sum of the
366 bond if the commissioner determines at any time that the aggregate
367 dollar amount of the residential mortgage loans originated by all
368 mortgage loan originator licensees warrants a change in the penal sum
369 of the bond.

370 Sec. 8. Section 36a-489a of the 2010 supplement to the general
371 statutes is repealed and the following is substituted in lieu thereof
372 (*Effective from passage*):

373 (a) (1) In order to meet the preclicensing education and testing
374 [requirement] requirements referred to in [section] sections 36a-488, as
375 amended by this act, and 36a-489, as amended by this act, an
376 [applicant] individual shall complete at least twenty hours of
377 education approved in accordance with subdivision (2) of this
378 subsection, which shall include at least (A) three hours of instruction
379 on relevant federal law and regulations; (B) three hours of ethics,
380 including instruction on fraud, consumer protection and fair lending
381 issues; and (C) two hours of training related to lending standards for

382 the nontraditional mortgage product marketplace.

383 (2) For purposes of subdivision (1) of this subsection, prelicensing
384 education courses shall be reviewed and approved by the system
385 based upon reasonable standards. Review and approval of a
386 prelicensing education course shall include review and approval of the
387 course provider.

388 (3) Nothing in this subsection shall preclude any prelicensing
389 education course, as approved by the system, that is provided by the
390 individual's sponsor [of the applicant] or employer or an entity which
391 is affiliated with the [applicant] individual by an agency contract, or
392 any subsidiary or affiliate of such sponsor, employer or entity.

393 (4) Prelicensing education may be offered either in a classroom,
394 online or by any other means approved by the system.

395 (5) When prelicensing education requirements described in
396 subdivision (1) of this subsection are completed in another state, such
397 out-of-state prelicensing education requirements shall be accepted as
398 credit towards completion of the prelicensing education requirements
399 of this state, provided such out-of-state prelicensing education
400 requirements are approved by the system.

401 (6) (A) [A person] An individual previously licensed under section
402 36a-489, as amended by this act, subsequent to the applicable effective
403 date of the prelicensing and testing requirements referred to in section
404 36a-489, as amended by this act, who is applying to be [licensed again]
405 relicensed shall prove that such [person] individual has completed all
406 of the continuing education requirements for the year in which the
407 license was last held.

408 (B) An individual who previously held a position as a qualified
409 individual or branch manager subsequent to the applicable effective
410 date of the prelicensing and testing requirements referred to in section
411 36a-488, as amended by this act, may not hold such position again
412 until such individual has completed all of the continuing education

413 requirements for the year in which such individual last held such
414 position.

415 (b) (1) In order to meet the written test [~~requirement~~] requirements
416 referred to in [~~section~~] sections 36a-488, as amended by this act, and
417 36a-489, as amended by this act, an individual shall pass, in accordance
418 with the standards established under this subsection, a qualified
419 written test developed by the system and administered by a test
420 provider approved by the system based upon reasonable standards.

421 (2) A written test shall not be treated as a qualified written test for
422 purposes of subdivision (1) of this subsection unless the test
423 adequately measures the [~~applicant's~~] individual's knowledge and
424 comprehension in appropriate subject areas, including ethics, federal
425 law and regulation pertaining to mortgage origination, state law and
426 regulation pertaining to mortgage origination, and federal and state
427 law and regulation, including instruction on fraud, consumer
428 protection, the nontraditional mortgage marketplace and fair lending
429 issues.

430 (3) Nothing in this subsection shall prohibit a test provider
431 approved by the system from providing a test at the location of the
432 sponsor [~~of the applicant~~] or employer, any subsidiary or affiliate of
433 the sponsor [~~of the applicant~~] or employer, or any entity with which
434 the [~~applicant~~] individual holds an exclusive arrangement to conduct
435 the business of a mortgage loan originator or acts as a qualified
436 individual or branch manager.

437 (4) (A) An individual shall not be considered to have passed a
438 qualified written test unless the individual achieves a test score of not
439 less than seventy-five per cent correct answers to questions.

440 (B) An individual may retake a test [~~three~~] four consecutive times
441 with each consecutive taking occurring at least thirty days after the
442 preceding test. After failing [~~three~~] four consecutive tests, an
443 individual shall wait at least six months before taking the test again.

444 (C) [A licensed mortgage lender, mortgage correspondent lender,
445 mortgage broker or] (i) An individual who has not been licensed as a
446 mortgage loan originator [who fails to maintain a valid license for a
447 period of five years or longer] within the five-year period preceding
448 the date of the filing of such individual's application for a mortgage
449 loan originator license, not taking into account any time during which
450 such individual is a registered mortgage loan originator, shall retake
451 such test, and (ii) a qualified individual or branch manager who has
452 not held such position within the five-year period preceding the date
453 of the filing on the system designating such individual as a qualified
454 individual or branch manager shall retake such test, unless such
455 individual was licensed as a mortgage loan originator during the five-
456 year period preceding the date of the filing on the system designating
457 such individual as a qualified individual or branch manger, not taking
458 into account any time during which such individual is a registered
459 mortgage loan originator. [shall retake the test.]

460 (c) (1) In order to meet the annual continuing education
461 requirements referred to in [subdivision (2) of subsection] subsections
462 (a) and (b) of section 36a-489, as amended by this act, a licensed
463 mortgage loan originator or a qualified individual or branch manager
464 shall complete at least eight hours of education approved in
465 accordance with subdivision (2) of this subsection. Such courses shall
466 include at least (A) three hours of instruction on relevant federal law
467 and regulation; (B) two hours of ethics, including instruction on fraud,
468 consumer protection and fair lending issues; and (C) two hours of
469 training related to lending standards for the nontraditional mortgage
470 product marketplace.

471 (2) For purposes of subdivision (1) of this subsection, continuing
472 education courses shall be reviewed and approved by the system
473 based upon reasonable standards. Review and approval of a
474 continuing education course shall include review and approval of the
475 course provider.

476 (3) Nothing in this subsection shall preclude any education course

477 approved by the system that is provided by the sponsor [of the
478 mortgage loan originator] or employer or an entity that is affiliated
479 with the mortgage loan originator, qualified individual or branch
480 manager by an agency contract, or by any subsidiary or affiliate of
481 such sponsor, employer or entity.

482 (4) Continuing education may be offered either in a classroom,
483 online or by any other means approved by the system.

484 (5) Except as [otherwise] provided in procedures adopted under
485 [subparagraph (B) of subdivision (2) of subsection] subsections (a) and
486 (b) of section 36a-489, as amended by this act, or in regulations
487 adopted under subdivision (9) of this subsection, a licensed mortgage
488 loan originator or a qualified individual or branch manager may only
489 receive credit for a continuing education course in the year in which
490 the course is taken, and may not take the same approved course in the
491 same or successive years to meet the annual requirements for
492 continuing education.

493 (6) A licensed mortgage loan originator or a qualified individual or
494 branch manager who is an approved instructor of an approved
495 continuing education course may receive credit for the [licensee's]
496 individual's own annual continuing education requirement at the rate
497 of two hours credit for every one hour taught.

498 (7) When education requirements described in subdivision (1) of
499 subsection (a) of this section are completed in another state, such out-
500 of-state education requirements shall be accepted as credit towards
501 completion of the education requirements of this state, provided such
502 out-of-state education requirements are approved by the system.

503 (8) A licensed mortgage loan originator who subsequently becomes
504 unlicensed must complete the continuing education requirements for
505 the last year in which the license was held prior to issuance of an initial
506 or renewed license. A qualified individual or branch manager who
507 ceases to hold such position must complete the continuing education

508 requirements for the last year in which such position was held prior to
509 holding such position again.

510 (9) A person who meets the requirements of subparagraphs (A)(i)
511 and (A)(iii) of subdivision (2) of subsection (a) or (b) of section 36a-489,
512 as amended by this act, may compensate for any deficiency in
513 continuing education requirements pursuant to regulations adopted
514 by the commissioner.

515 (d) For purposes of this section "nontraditional mortgage product"
516 means any mortgage product other than a thirty-year fixed rate
517 mortgage, [and "system" has the same meaning as provided in section
518 36a-485.]

519 Sec. 9. Subsection (b) of section 36a-490 of the 2010 supplement to
520 the general statutes is repealed and the following is substituted in lieu
521 thereof (*Effective July 31, 2010*):

522 (b) A mortgage lender, mortgage correspondent lender or mortgage
523 broker licensee may change the name of the licensee or address of the
524 office specified on the most recent filing with the system if (1) at least
525 thirty calendar days prior to such change, the licensee files such
526 change with the system and, in the case of a main office, provides,
527 directly to the commissioner, a bond rider or endorsement to the
528 surety bond on file with the commissioner that reflects the new name
529 or address of the main office, and (2) the commissioner does not
530 disapprove such change, in writing, or request further information
531 within such thirty-day period. The licensee shall promptly file any
532 change in the information most recently submitted in connection with
533 the license with the system or, if the information cannot be filed on the
534 system, directly notify the commissioner, in writing, of such change in
535 the information.

536 Sec. 10. Subsection (d) of section 36a-490 of the 2010 supplement to
537 the general statutes is repealed and the following is substituted in lieu
538 thereof (*Effective from passage*):

539 (d) Each mortgage loan originator licensee shall promptly file with
540 the system or, if the information cannot be filed on the system, directly
541 notify the commissioner, in writing, of any change in the information
542 most recently submitted in connection with the license and of the
543 occurrence of any of the following developments:

544 (1) Filing for bankruptcy of the mortgage loan originator licensee;

545 (2) Filing of a criminal indictment against the mortgage loan
546 originator licensee;

547 (3) Receiving notification of the institution of license or registration
548 denial, cease and desist, suspension or revocation procedures, or other
549 formal or informal regulatory action by any governmental agency
550 against the mortgage loan originator licensee and the reasons therefor;
551 or

552 (4) Receiving notification of the initiation of any action against the
553 mortgage loan originator licensee by the Attorney General or the
554 attorney general of any other state and the reasons therefor.

555 Sec. 11. Subsection (a) of section 36a-760 of the 2010 supplement to
556 the general statutes is repealed and the following is substituted in lieu
557 thereof (*Effective from passage*):

558 (a) As used in this section and sections 36a-760a to 36a-760j,
559 inclusive:

560 (1) "APR" has the same meaning as provided in section 36a-746a;

561 (2) "CHFA loan" means a loan made, insured, purchased, subsidized
562 or guaranteed by the Connecticut Housing Finance Authority;

563 (3) "FHA loan" means a loan made, insured, purchased, subsidized
564 or guaranteed by the Federal Housing Administration;

565 (4) "First mortgage loan" has the same meaning as provided in
566 section 36a-485;

567 (5) "Lender" means any person engaged in the business of the
568 making of mortgage loans who is required to be licensed by the
569 Department of Banking under chapter 668, or their successors or
570 assigns, and shall also mean any bank, out-of-state bank, Connecticut
571 credit union, federal credit union, out-of-state credit union, or an
572 operating subsidiary of a federal bank or a federally chartered out-of-
573 state bank where such subsidiary engages in the business of making
574 mortgage loans, and their successors and assigns, but shall not include
575 any mortgage broker, as defined in this section, or any mortgage loan
576 originator, as defined in section 36a-485;

577 (6) "Mortgage broker" means any person, other than a lender, who
578 (A) for a fee, commission or other valuable consideration, negotiates,
579 solicits, arranges, places or finds a mortgage, and (B) who is required
580 to be licensed by the Department of Banking under chapter 668, or
581 their successors or assigns;

582 (7) "Nonprime home loan" means any loan or extension of credit,
583 excluding an open-end line of credit, and further excluding a reverse
584 mortgage transaction, as defined in 12 CFR 226.33, as amended from
585 time to time:

586 (A) In which the borrower is a natural person;

587 (B) The proceeds of which are to be used primarily for personal
588 family or household purposes;

589 (C) In which the loan is secured by a mortgage upon any interest in
590 one-to-four family [residential] improved real property located in this
591 state which is, or when the loan is made, intended to be used or
592 occupied by the borrower as a principal residence;

593 (D) In which the principal amount of the loan does not exceed (i)
594 four hundred seventeen thousand dollars for a loan originated on or
595 after July 1, 2008, but before July 1, 2010; and (ii) the then current
596 conforming loan limit, as established from time to time by the Federal
597 National Mortgage Association, for a loan originated on or after July 1,

598 2010;

599 (E) Where the loan is not a CHFA loan; and

600 (F) In which the conditions set forth in clauses (i) and (ii) of this
601 subparagraph apply, subject to any adjustments made pursuant to
602 clause (iii) of this subparagraph:

603 (i) The difference, at the time of consummation, between the APR
604 for the loan and the conventional mortgage rate is either equal to or
605 greater than (I) one and three-quarters percentage points, if the loan is
606 a first mortgage loan, or (II) three and three-quarters percentage
607 points, if the loan is a secondary mortgage loan. For purposes of such
608 calculation, "conventional mortgage rate" means the contract interest
609 rate on commitments for fixed-rate mortgages published by the Board
610 of Governors of the Federal Reserve System in its statistical release
611 H.15, or any publication that may supersede it, during the week
612 preceding the week in which the interest rate for the loan is set.

613 (ii) The difference, at the time of consummation, between the APR
614 for the loan or extension of credit and the average prime offer rate for a
615 comparable transaction, as of the date the interest rate is set, is greater
616 than one and one-half percentage points if the loan is a first mortgage
617 loan or three and one-half percentage points if the loan is a secondary
618 mortgage loan. For purposes of this subparagraph, "average prime
619 offer rate" has the meaning as provided in 12 CFR 226.35, as amended
620 from time to time.

621 (iii) The commissioner shall have the authority, after consideration
622 of the relevant factors, to increase the percentages set forth in clauses
623 (i) and (ii) of this subparagraph. The authority of the commissioner,
624 and any increases or decreases made under this clause, shall expire on
625 August 31, 2010. For purposes of this clause, the relevant factors to be
626 considered by the commissioner shall include, but not be limited to,
627 the existence and amount of increases in fees or charges in connection
628 with purchases of mortgages by the Federal National Mortgage

629 Association or the Federal Home Loan Mortgage Corporation and
630 increases in fees or charges imposed by mortgage insurers and the
631 impact, including the magnitude of the impact, that such increases
632 have had, or will likely have, on APRs for mortgage loans in this state.
633 When considering such factors, the commissioner shall focus on those
634 increases that are related to the deterioration in the housing market
635 and credit conditions. The commissioner may refrain from increasing
636 such percentages if it appears that lenders are increasing interest rates
637 or fees in bad faith or if increasing the percentages would be contrary
638 to the purposes of sections 36a-760 to 36a-760f, inclusive, as amended
639 by this act. No increase authorized by the commissioner to a particular
640 percentage shall exceed one-quarter of one percentage point, and the
641 total of all increases to a particular percentage under this clause shall
642 not exceed one-half of one percentage point. No increase shall be made
643 unless: (I) The increase is noticed in the Banking Department Bulletin
644 and the Connecticut Law Journal, and (II) a public comment period of
645 twenty days is provided. Any increase made under this clause shall be
646 reduced proportionately when the need for the increase has
647 diminished or no longer exists. The commissioner, in the exercise of his
648 discretion, may authorize an increase in the percentages with respect
649 to all loans or just with respect to a certain class or classes of loans;

650 (8) "Open-end line of credit" means a mortgage extended by a
651 lender under a plan in which: (A) The lender reasonably contemplates
652 repeated transactions; (B) the lender may impose a finance charge from
653 time to time on an outstanding unpaid balance; (C) the amount of
654 credit that may be extended to the consumer during the term of the
655 plan, up to any limit set by the lender, is generally made available to
656 the extent that any outstanding balance is repaid; and (D) none of the
657 proceeds of the open-end line of credit are used at closing to (i)
658 purchase the borrower's primary residence, or (ii) refinance a
659 mortgage loan that had been used by the borrower to purchase the
660 borrower's primary residence;

661 [(9) "Residential property" has the same meaning as provided in

662 section 36a-485;]

663 [(10)] (9) "Secondary mortgage loan" has the same meaning as
 664 provided in section 36a-485.

665 (b) The provisions of sections 36a-760a to 36a-760i, inclusive, as
 666 amended by this act, shall be applicable to nonprime home loans and
 667 mortgages, as appropriate, for which applications have been received
 668 on or after August 1, 2008.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 31, 2010</i>	36a-486(b)(1)
Sec. 2	<i>July 31, 2010</i>	36a-487
Sec. 3	<i>from passage</i>	36a-488(a)
Sec. 4	<i>July 31, 2010</i>	36a-488(b)
Sec. 5	<i>from passage</i>	36a-489(b)
Sec. 6	<i>from passage</i>	36a-489(e)
Sec. 7	<i>July 31, 2010</i>	36a-492
Sec. 8	<i>from passage</i>	36a-489a
Sec. 9	<i>July 31, 2010</i>	36a-490(b)
Sec. 10	<i>from passage</i>	36a-490(d)
Sec. 11	<i>from passage</i>	36a-760(a)

BA Joint Favorable Subst.